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SUBJECT: CHAUDHRY RESIGNS, FIJI WITHDRAWS FROM REGIONAL MEETING IN NIUE

¶1. (U) Summary: Finance Minister Mahendra Chaudhry resigned from the interim government (IG) on August 18 following weeks of speculation that his head was on the chopping block for mismanaging the economy and harassing overseas investors. However, Chaudhry's departure may significantly diminish popular support for the IG. In a press conference held that same day, interim PM Bainimarama announced that he would not send a delegation or representative to Niue as a protest against the refusal of the NZ government to grant visas that would permit his party to participate in the Post Forum Dialogue with 14 donors and partner countries in Auckland. End Summary.

Factors Behind Chaudhry's Resignation

¶2. (U) Finance Minister Chaudhry was increasingly under siege the last few weeks. The Cabinet overturned two of his decisions, including a controversial export tax he had championed on the bottled water industry. The Reserve Bank's revision of Fiji's negative growth for 2007 further downward to -6.6 percent of GDP cast doubt on the effectiveness of Chaudhry's economic austerity measures. The Executive Council of his Fiji Labour Party (FLP) met Sunday and announced that the three FLP Ministers in the interim government would resign to contest the next elections. Interestingly, in a complete flip-flop, the FLP's president characterized the draft Peoples Charter as a contentious document that would require constitutional and legislative changes, and the FLP called on Bainimarama to set a definite timetable for elections.

Re-assignment of Portfolios in Mini Cabinet Reshuffle

¶3. (U) Bainimarama announced that he will assume responsibility for the Ministry of Finance while the Attorney General takes on the Commerce, Industry and Tourism ministries. The minister for Education will assume the Local Government and Labour portfolios. The minister for Works will take on Public Utilities (energy and water), while the Sugar Industry will go to the Primary Industries minister. Bainimarama said that this is a temporary arrangement and new ministers will be announced soon. Bainimarama said that he would host a mini economic summit on September 5 and 6, the details to be announced nearer the date.

Bainimarama Explains Fiji's Non-participation in Niue

¶4. (U) Bainimarama announced that Fiji would not participate in the Niue PIF Leaders Forum due to New Zealand's refusal to grant visitor visas to his delegation. NZ granted only transit visas. Bainimarama claimed that this prevented Fiji from having bilateral meetings with the 14 Post Forum Dialogue (PFD) Partners, which include the European Union, United Nations and China, India, United States, Canada, France, Indonesia, Italy, Japan, Korea, Malaysia, Philippines, Thailand, and the United Kingdom). The PIF has organized the PFD bilaterals for Auckland on August 23; only the PFD Plenary is scheduled for Niue the preceding day.

¶5. (U) Bainimarama told the media that he was very disappointed with the report of the PIF Ministerial Contact Group (MCG), which visited Fiji in June. He said that Fiji would decide its own destiny for itself, rather than have it imposed from without. Bainimarama also released to the media his speech prepared for the Forum. In the

draft speech, Bainimarama says that Fiji's relationship with the Forum is now at a cross-roads, if not an impasse. He characterizes the PIF demand for elections as inflexible and says that he was compelled against his will to agree to the March 2009 date at the Tonga PIF in 2007.

¶6. (U) Bainimarama also attacks Australia and New Zealand for helping to fund the 2001 general elections against the ruling of the Court of Appeal in the Chandrika Prasad case, which held Chaudhry was still the legal Prime Minister. This contradicts his affidavit in another constitutional case before the 2001 elections where he said that he could not restore the Chaudhry government because of national security issues. It also contradicts Chaudhry's affidavit in the same case in which Chaudhry said that he preferred to have elections rather than to be reinstated.

¶7. (U) Bainimarama reiterates no elections in March 2009 and insists that electoral reform must take place first. He accuses the MCG, and in particular NZ FM Winston Peters, of "selective rather than active listening." Bainimarama says that if the PIF leaders decide to endorse the MCG report, and insist on elections in March 2009, then he will tell the people of Fiji to prepare for more sanctions and international isolation as Fiji will "pursue its own way." In the draft speech, Bainimarama insists that Fiji will have a new electoral system and that the PIF must not continue to "mollycoddle continued extremism and racism in Fiji." He says that even if the Forum will not assist, his government will continue on its roadmap, seeking assistance from outside the PIF and the Commonwealth, if necessary.

¶8. (U) In his media conference on August 18, Bainimarama repeated that Fiji will not have elections in March 2009. He said that consensus for electoral reform must be reached at the Presidents Forum to be convened by former NZ Governor General and Fiji Constitution Review Commissioner Sir Paul Reeves, who has been talking to Fiji's political leaders for some time on behalf of the Commonwealth, which suspended Fiji because of the 2006 coup. Bainimarama said that the Electoral Commission will need 12-15 additional months after completion of the reform process to prepare for elections. He said Fiji's leaders must first agree on the electoral reforms before setting a date for elections.

Reaction

¶9. (U) In an August 19 radio interview, deposed PM Qarase said his SDL party will not approve electoral reform unless it is enacted by a Parliament, since this requires Constitutional amendment.

¶10. (U) Bainimarama's decision to avoid the PIF Forum in Niue was ill-received by regional leaders, notably NZ PM Helen Clark and Australian PM Kevin Rudd, who had a bilateral meeting in Auckland on August 18 before flying to Niue for the PIF. Fiji continues to remain a challenge for the PIF which has never suspended a member country before. The Commonwealth Secretary General is in Niue and in a radio interview on August 18 said that he would encourage Fiji to hasten its return to democracy. He acknowledged the work in Fiji of Commonwealth envoy Sir Paul Reeves, as well as the PIF initiatives including the Ministerial Contact Group, but noted that the Commonwealth, like the EU, would be guided by the PIF Leaders' decisions on Fiji.

Comment

¶11. (U) The FLP may be disengaging in anticipation of a court ruling against the constitutionality of the 2006 coup and the interim government. The FLP represents some 37 percent of the population. Its exit from the Cabinet could significantly diminish popular support for Bainimarama and the interim government. It is already unclear how Bainimarama will get consensus on electoral reform when opposition to the Charter is gaining steam. The NFP, UPP and SDL leadership continue to condemn it and the reforms it proposes.